For the sake of improved understanding of the Company's financial performance for non-Japanese investors, this earnings release is prepared in a different format from the Japanese original TSE filing document released on May 13, 2019. In the event of any discrepancy between this English document and the Japanese original, the original shall always prevail.

May 13, 2019

OPT Holding, Inc (TSE 2389)
Consolidated Financial Results for the Three Month Ended March 31, 2019 (J-GAAP, Unaudited)

Tokyo, May 13, 2019, OPT Holding, Inc ("the Company") announced today its consolidated financial results for the three month ended on March 31, 2019. (From January 1 to March 31, 2019, "2019 Q1")

(Amount are rounded down to the nearest million yen)

Consolidated Operating Results for 2019 Q1

(in million yen, unless otherwise stated)	Three month ended on March 31		
	2019	2018	YoY(%)
Revenue	21,555	22,773	(5.3%)
Operating Income	406	1,007	(59.7%)
Ordinary Income	449	873	(48.5%)
EBIT*[1]	443	893	(50.4%)
EBITDA*[2]	685	1,265	(45.8%)
Net income attributable to owners of parent	242	515	(52.9%)
Earnings per share- diluted (yen)	10.59	22.60	-
Earnings per share- basic (yen)	10.60	22.79	-

Note:
1. EBIT= Net income before taxes and other adjustment＋interest paid－interest received
2. EBITDA = EBIT + other financial related gains (losses)+ depreciation + amortization of intangible assets + amortization of long-term prepaid expenses + Non-cash gain(loss)

Consolidated Balance Sheet Data

(in million yen, unless otherwise stated)	As of March 31, 2019	As of December 31, 2018
Total assets*[3]	64,866	56,670
Net assets	34,147	27,133
Equity attributable to owners of parent*[3]	30,368	23,476
Ratio of equity attributable to owners of parent (%)	46.8%	41.4%
Assets under management (AUM) *[4]	30,035	21,218

Note:
3. Partial amendments to Accounting Standards for Tax Effect Accounting (ASBJ statement No.28, February 16, 2018) were applied from the beginning of this reporting quarter; three month ended on March 31, 2019, and total assets and ratio of equity attributable to owners of parent as of December 31, 2018 which were revised retrospectively.
4. AUM: Aggregate amount of (1) book value of subsidiaries' and affiliates' stocks and (2) fair market value (FMV*[5]) of operational investment securities and invested securities.
5. FMV (Fair market value): an estimated market value of a property or a liability, based on third-party transaction between a knowledgeable and willing buyer and a knowledgeable and willing seller

The AUM calculation is prepared with guidance and advice by KPMG Azsa.

Appropriate use of earnings forecast and forward looking statement

Although forward-looking statements contained in this document are based upon what management of the Company believes are reasonable assumptions, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking statements.
The information contained in this material is carefully scrutinized before presentation as it is intended to facilitate your understanding of the Company's business, management policies and plans, financial position, etc. However, we do not guarantee its accuracy, completeness, effectiveness, or security. None of the information herein is prepared to solicitate investment. The final decision on investing should be made by you, under your own responsibility. We will not be responsible or liable for any consequences resulting from investments made by you in reference to, or by use of, the information.
Any information herein other than past or present facts represents our future outlook developed based on the input currently available, and includes various risks and uncertainties. Thus, please note that actual business results released at a later date may differ due to such factors
Please see page 9, of this document for appropriate use and note on assumptions for earnings forecast. .

3. *Dividends*

	2019	2018	2019 Forecast
End of Q1 (yen)	-	-	
End of Q2 (yen)		0.00	-
End of Q3 (yen)		-	-
End of Q4 (yen)		19.00	-
Total		19.00	

The Company sets a consolidated payout ratio target of 20% of profit attributable to owners of parent before amortization of goodwill from the year ended December 31, 2017.
The Company does not make a forecast for annual dividend for the year ending December 2019.

4. *Forecast for the year ending December 31, 2019*

(in million yen)	2019	YoY(%)
Marketing Business		
Revenue	93,500	14.0%
EBIT	5,000	18.6%
EBITDA	5,550	(10.1%)
Synergy Investment Business		
AUM (Range)	15~20%	
Internal Rate of Return; IRR (Range)	15~20%	
Corporate Function cost		
Selling general & administration cost	2,300	

Note: Revision from the previous earnings forecast: None.
EBIT and EBITDA forecasts of Marketing Business are before Corporate Function cost allocation
For the details of IRR calculation: See page 9 of footnote for Management Discussions and Analysis.

For more information: URL: https://www.optholding.co.jp/en/ir/

Coming Schedule for IR events and documents
Quarterly financial report (in Japanese): May 13, 2019
Effective Date of dividend payment: -

Additional materials and events 2019 Q1 results
Supplementary document for the results meeting: Available
Earnings conference for analysts and institutional investors: Held on May 13, 2019
Video streaming of results meeting: Available immediately after earnings conference in Japan

Changes in important subsidiaries for the reporting period
There was no material change in specific subsidiaries accompanying a change in scope of consolidation

Changes in accounting policies and changes in accounting estimates
(1) Changes in accounting policies required by amendments to accounting standards, etc.: None
(2) Other accounting policies except for item (1): None
(3) Accounting estimates: None
(4) Retrospective restatements: None

Number of shares issued –Common stock

	2019 Q1	2018
Number of shares issued including treasury shares	23,817,700	23,817,700
Number of treasury shares	917,705	917,705

	2019 Q1	2018 Q1
Average number of shares during the period	22,899,995	22,617,601

Change in monetary unit on financial statements

From the beginning of this reporting period, the unit amount shown on quarterly financial statements and other items has been changed to JPY million from JPY thousand.

Table of Contents

1. Management Discussion and Analysis

(1) Results of Operations

OPT group (hereinafter "the Group") set the management policy to maximize corporate value and cash flows by leading any and all corporate "digital shift" in response to the rapidly advancing digital industrial revolution, based on the mission of "support, innovate, and create digital industrial revolution."

In addition to internet ad agency business, which is our current pillar, we, as a Digital Shift (DS) company, are developing our strategy in the following three dimensions (so called "3DS (Digital Shift) strategy"). The first is "Support DS for clients." The Group will serve for corporate clients to provide broader range of marketing solutions from 1P ("Promotion", which we currently provide) to 7Ps (Promotion, Price, Product, Place, Personnel, Process and Physical Evidence). By providing 7Ps, the Group will extend the coverage of services and products. The second is "Innovate DS with clients". The Group aims to take a role to accelerate corporate digital shift and to innovate through the alliance with client companies or establishing JVs with them. The third is "Create DS by Ourselves", which aims to create digital services from zero to one which is free from conventional business formats and ways of operating. Through these three dimensions, the Group aims to realize our business model diversification.

Also, in our core management policy, maintaining strong financial foundation is essential to increase our corporate value, at the same time, we will proactively utilize management resources, especially cash. We set at least 10% IRR (internal rate of return) as our targeted return from the investments, however, we are aiming to maximize shareholders' return by accelerating mid-to-long term EPS growth through following measures. We plan to implement around JPY 20 billion investment on existing businesses related to digital shift and, different from this investment, M&A for digital shift creation for the next three years or so.

As part of our engagement in digital shift during this reporting period, we established Digital Shift Academy, Inc., to provide digitalization training programs with clients' employees, and also established OPT China, Inc., providing support services for Japanese SMEs to export and promote their products in Chinese market (Effective from April 1, 2019).

The results of operation for the three month ended on March 31, 2019 (hereinafter 2019 Q1) were as follows.

(in million yen unless otherwise stated)	2019 Q1	Year-on-year change (%)	
	Actual	Adjusted*[5]	Actual
Revenue	21,555	(3.0%)	(5.3%)
Gross profit	4,178	(7.5%)	(10.0%)
Operating income	406	(60.5%)	(59.7%)
EBIT (Non-GAAP) *[1]	443	(51.5%)	(50.4%)
EBITDA (Non-GAAP) *[2]	685	(42.5%)	(45.8%)
Net income attributable to owners of parent	242	(56.4%)	(52.9%)
ROE*[3] (Last twelve month; LTM, %)	7.2%	—	+1.4pts
Free cash flow*[4](Non-GAAP)	(328)	—	—*[6]
Earnings per share- diluted (yen)	10.59		(12.01)
Earnings per share- basic (yen)	10.60	-	-(12.19)

Note:
1. EBIT= Net income before taxes and other adjustment＋interest paid－interest received
2. EBITDA = EBIT + other financial related gains (losses)+ depreciation + amortization of intangible assets + amortization of long-term prepaid expenses + Non-cash gain(loss)
3. Return on equity (ROE): Net income attributable to owners of parent in last twelve months/average amount of equity as of the end of reporting quarter and the same quarter in previous year
4. Free cash flow (FCF)=Operating cash flow+ investing cash flow ±one-off cash flow items
5. Figures are compared to excluding the impact of the business transfer implemented during 2018 Q3. Approx. 3% of quarterly consolidated sales for 2018 Q1 was by video streaming business, operated by relaid Inc., (formally Skill-up Video Technology, Inc.,).
6. Figures were omitted due to relevant amounts in reporting or the previous period are negative.

Results by reporting segment is as follows.

The Group analyses and reports financial results for two reporting segments, Marketing Business and Synergy Investment Business and Corporate Function costs. Earnings of Marketing Business and Synergy Investment Business are shown before Corporate Function cost allocation.

Marketing Business

Marketing Business consists of two sub-segments: Large Corporation, which includes OPT, Inc. and six other consolidated subsidiaries providing online advertising, digital marketing, and related services to enterprise clients. And Local SMEs, which includes Soldout, Inc., and five other subsidiaries providing a variety of digital marketing solutions in regional areas.

The table below shows 2019 Q1 results of Marketing Business.

(in million yen unless otherwise stated)	2019 Q1	Year-on-year change (%)	
	Actual	Adjusted*	Actual
Revenue	20,298	(1.9%)	(4.5%)
Gross profit	3,564	(4.8%)	(7.8%)
Operating income	855	(40.4%)	(39.5%)
EBIT(Non-GAAP)	859	(40.1%)	(39.3%)
EBITDA(Non-GAAP)	970	(39.7%)	(42.9%)

Note:
To provide a more accurate comparative analysis of earnings, changes are shown adjusted to exclude the impact of any businesses not included in the current quarter's earnings due to such as business sell-off during the previous year. The reporting period excludes earnings from video streaming business of relaido, Inc. in Large Corporation sub-segment (the business was transferred after company-split in 2018 Q3. Recorded JPY 557 million of revenue in 2018 Q1).

Demand for Internet ad in Japan has continued to grow by replacing traditional media such as TV and flyers. In addition, associated with diversification of Internet media, demands for digital marketing and digital shift by corporate clients have been further increased. On the other hand, part of our clients began to constrain their marketing budget, as growth appeared to be slowing down in some industries.

In this market environment, the Group made efforts not only existing marketing business but also proposal sales heading to digital shift support for corporate clients, solution development and our own products in addition to acquiring new clients.

In 2019 Q1, the Marketing Business had revenue of JPY 20,298 million (down 4.5% YoY), gross profit of JPY 3,564 million (down 7.8% YoY), operating profit of JPY 855 million (down 39.5% YoY), EBIT of JPY 859 million (down 39.3%), and EBITDA of JPY 970 million (down 42.9% YoY).

Changes excluding the impact of business transfer, etc., during 2018 were: sales down 1.9%, gross profit down 4.8%, operating income down 40.4%, EBIT down 40.1%, and EBITDA down 39.7%.

After excluding earnings of the transferred video streaming business from 2018 Q1, the reasons for the differences in the main items were as follows.

1) In Large corporation sub-segment, aggressive sales activities have been developed with the focus of acquiring new clients such as brand advertisers and retail distributors. We participated in competitions and resulted in receiving several large-size orders. However, these orders started to contribute revenue growth from the third quarter of this year, and part of large-scale clients especially real estate and HR service companies cut back on advertising costs. As a result, quarterly Large Corporation sub-segment revenue was JPY 16,177 million, down by 4.3%. The Local/SMEs sub-segment was impacted by lower sales in partial large-scale clients' projects, however, revenue rose by 7.4% YoY to JPY 4,263 million by new orders, mainly from EC advertisers, as it captured the demand for "digital shift" from local SMEs' clients. Consequently, the Marketing Business as a whole saw sales fall by 1.9% YoY to JPY 20,298 million.

2) Operating income was hit by a rise in SG&A costs in both the Large Corporation and Local SMEs segments, as hiring and training were stepped up in anticipation of growth in Q2 onwards. In the Large Corporation, the income fell by 34.4% YoY to JPY 767 million as gross profit was depressed by lower sales. In the local SMEs sub-segment, gross profit was 66.8% down by declined income by sales incentive paid by media. As a result, operating income in the Marketing Business as a whole fell by 39.5% YoY to JPY 855 million.

3) EBITDA fell by 35.3% YoY to JPY 848 million in Large Corporation due to the decline in operating income and by 58.9% to JPY 121 million in Local SMEs for the same reason, resulting in a 39.7% fall in EBITDA to JPY 970 million for the Marketing Business as a whole.

The major activities in Marketing Business for this fiscal year were as follows.

- Actions for acquiring large-scale new clients such as manufacturers and retail distributors were taken principally through OPT, Inc.

OPT, Inc.'s activity highlights:

- Began offering creative production packages optimized for TikTok's unique outlook, in order to promote sales of TikTok's advertising services. Strengthened marketing support services for wide range of generation especially for young people.
- Certified as a "five-star agent of Criteo Certified Partners", the highest rank in Japan, for four consecutive periods (certified in half a year).
- Launched new marketing support program utilizing CDP for promoting digital shift for real store operators. CDP (Customer Data Platform) is a platform to collect, accumulate, and integrate individual user's profile and behavioral data without specific private information. Every user touching point data will be integrated into single user ID and it leads better services by sales personnel and promotion activities. OPT is the first agent among Japanese agencies to register " US CDP association" and aims to be a leading company in this field by actively holding events and seminars and introducing cases of CDP usage inside and outside of Japan.
- Started to provide a newly developed analytic tool. It is an analytic tool for consumer insights; by constructing unique database with 37 profiles, 63 items, and log data which were obtained from a survey about purchase information and personal values toward more than 10,000 panels. With this tool, OPT will support more efficient marketing activities by providing concrete image of target users.
- Awarded Gold in Technology Partner and Sales Partner in LINE Account Connect division and also awarded Silver in Sales Partner of LINE Ad Platform division in LINE Biz-Solutions Partner Program Award 2019 1st half, which certify their partners for their corporate service division. .

• Implemented sales activities and new client acquisition at 21 sites in Japan, by SoldOut Inc., (hereinafter, "SoldOut", securities code: 6553).and other subsidiaries in Local/SMEs segment.

SoldOut's activity highlights:

- Switched to the TSE First Section on March 22 2019.
- Awarded the LINE Ads Platform Bronze Sales Partner Award in the LINE Biz-Solutions Partner Program 2019 1st half awards.
- TechLoCo, Inc., a consolidated subsidiary of SoldOut released "lycle GMB (Google My Business, "GMB")," a tool to enter and control registration, updates, and improve efficiency on GMB from the LINE Talk Screen. The strength of this service is seamless controllability realized by joint development with LINE Corporation and Google. This service support store operators' marketing activities such as promoting recognition and customer attraction through widely spreading their attractive information with accuracy and easy-to-use operating system.

Synergy Investment Business

The Synergy Investment Business consists of the Business Development and Financial Investments sub-segments. The Business Development consists of SIGNATE, Inc.,("SIGNATE") which is involved mainly in AI business, and of the China cross-border business, while the Financial Investments consists of OPT Ventures # 1 and # 2 funds and investment businesses managed by OPT America, etc.,. It also includes the Overseas Marketing Business.

The table below shows 2019 Q1 results and KPIs of Synergy Investment Business. There is no item to be adjusted in the same period of previous year.

(in million yen unless otherwise stated)	2019 Q1	Year-on-year change (%)
Revenue	1,260	(18.5%)
Gross profit	617	(20.2%)
Operating income	86	166.1%
EBIT(Non-GAAP)	115	-*1
EBITDA (Non-GAAP)	157	280.4%
AUM*2	30,035	41.6%
IRR*2	15.7%	+1.7pts

Note:
1. Figures were omitted due to relevant amounts in reporting or the previous period are negative.
2. AUM and IRR compare the recent previous quarter (2018 Q4). The details for calculation are disclosed in footnote on page 9.

In 2019 Q1, the Synergy Investment Business had revenue of JPY 1,256 million (down 18.5% YoY), gross profit of JPY 617 million (down 20.2% YoY), operating income of JPY 86 million (up 166.1% YoY), EBIT of JPY 115 million (compared to a loss of JPY 40 million in 2018 Q1), and EBITDA of JPY 157 million (up 280.4% YoY).

The reasons for the difference from the previous year's first quarter are as follows.

1) Revenue in the Synergy Investment Business fell by 17.5% YoY to JPY 1,256 million, as they were boosted by JPY 333 million from the sale of operational investment securities held, but were impacted by the deconsolidation of Writeup Co., Ltd. ("Writeup"),and the sale and liquidations of overseas subsidiaries.

2) Gross profit fell by 20.2% YoY to JPY 617 million. Although JPY 311 million gain by the sale of operational investment securities was recorded, gross profit was declined by Writeup's deconsolidation, and by worsened earnings and inventory devaluation in China cross-border EC business.

3) EBITDA rose by 280.4% to JPY 157 million, as, despite the decline in gross profit, SG&A costs decreased mainly associated with the sale and liquidations of overseas subsidiaries.

The major activities in Synergy Investment Business for this fiscal year were as follows.

- Completed the first close of OPT Ventures # 2 Investment Partnership LLC and invested on Sider Inc., a provider of an AI tool for code review, as the first investee and on Zainar, Inc., an American company who involves selling and developing system to identify and synchronize real-time location using wireless technology as the second investee.
- Sold all the shares of Writeup, an existing investee.
- SIGNATE released "Aldebaran," a platform for supporting to manage, operate, and re-learn of AIs and machine learning models support manage. Corporate users become able to use AI and machine learning model from the API without preparing compiling environment for them with initial setting supervised by SIGNATE's data scientists. SIGNATE will provide one-stop service from "development" of AIs and machine learning models, which SIGNATE have been providing, to "management, operation, and re-learning" of the developed programs.
- The Company established OPT China, Inc. by incorporation-type of company split to take over the China businesses operated by OPT Holding, in order to expand its earnings and to realize efficient group management (effective from 1 April 2019) . OPT China has changed its business model from conventional cross-border e-Commerce where sales contact is limited to special EC site to general trading model. In addition, OPT China is aiming to expand its business by changing its main vendors to Japanese SMEs with exclusive selling rights in China granted to OPT China, and by creating a structure to develop best-selling products with the manufacturers.

The company discloses AUM and IRR of the invested assets for improving transparency of its investment return. AUM at the end of 2019 Q1 was up by 41.6% from the last quarter; 2018 Q4, at JPY 30 billion, thanks to a rise in the market value of Raksul, Inc, etc. IRR after tax at the end of March 2019 was 15.7%, an improvement of 1.7 point on the end of 2018 Q4. (Please see footnotes on page 9 for detailed calculation method applied to AUM and IRR).

Corporate Function cost.

The table below shows 2019 Q1 results of Corporate Function cost.

(in million yen unless otherwise stated)	2019 Q1	Difference from 2018 Q1*
Selling and administrative expense	(538)	(91)
Operating income or loss	(538)	(94)
EBIT(Non-GAAP)	(534)	(46)
EBITDA(Non-GAAP)	(441)	17

Note: Negative amount means increase of expense on this table.

As for corporate functions, the Group sees recruiting and developing human resources as an important management agenda to realize the medium-term management plan. Moreover, in September 2018, the Group introduced the restricted stock compensation plan and an employees' shareholding association as an incentive to improve its corporate value. As a result, selling, general and administrative expense in Corporate Function cost for 2019 Q1 was negative JPY 538 million, (negative JPY 447 million in 2018 Q1), EBITDA was negative JPY 441 million (negative JPY 459 million in 2018 Q1).

Consolidated Results of Operations for 2019 Q1

As a result of segment earnings, consolidated revenue for 2019 Q1 was JPY 21,555 million (down 5.3% YoY), gross profit of JPY 4,178 million (down 10.0% YoY), operating income of JPY 406 million (down 59.7% YoY), EBIT of JPY 443 million (down 50.4%), and EBITDA of JPY 685 million (down 45.8% YoY), giving a net profit attributable to parent company shareholders of JPY 242 million (down 52.9% YoY).

Excluding the earnings of the transferred video streaming business from consolidated results for 2018 Q1, consolidated revenue in 2019 Q1 was 3.0% lower YoY, gross profit was 7.5% lower, operating profit 60.5% lower, EBIT 51.5% lower, EBITDA 42.5% lower, and net profit attributable to parent company shareholders 56.4% lower.

(2) Consolidated Financial Position

Partial amendments to Accounting Standards for Tax Effect Accounting (ASBJ statement No.28, February 16, 2018) were applied from the beginning of this reporting period; three month ended on March 31, 2019, and consolidated financial position were compared to the figures as of the end of the previous fiscal year which were revised retrospectively.

Assets:
Total assets increased by JPY 8,195 million from the end of the previous fiscal year to JPY 64,866 million as of the end of 2019 1Q.

Current assets were JPY 58,431 million, an increase of JPY 8,340 million from the end of the previous fiscal year. This is mainly because of JPY 10,228 increase in operational investment securities despite of JPY 1,036 decrease in cash and deposits and JPY 752 decrease in notes and accounts receivables.

Noncurrent assets were JPY 6,434 million, a decrease of JPY 144 million from the end of the previous fiscal year. This is mainly because JPY 298 million decrease of other noncurrent assets including deferred tax assets.

Liabilities

Total liabilities as of the end of the period were JPY 30,718 million, an increase of JPY 1,182 million from the end of the previous year.

Current liabilities were JPY 17,092 million, a decrease of JPY 1,486 million from the end of the previous year. This is mainly due to a decrease of JPY 478 million of provision for bonuses, a decrease of JPY 474 million in income taxes payable and a decrease of JPY 467 million of notes and payable.

Noncurrent liabilities were JPY 13,626 million, an increase of JPY 2,668 million from the end of previous year due to following factors. Long-term loan payable was decreased by JPY 400 million, on the other hand, deferred tax liabilities were increased by JPY 3,064 million.

Net assets

Total net assets as of the end of period under review increased by JPY 7,013 million from the end of the previous year to JPY 34,147 million. This is mainly because of JPY 7,140 million increase in valuation difference on available-for-sale securities.

(3) Consolidated Cash Flow

Cash and cash equivalents (hereinafter referred to as “Cash”) were JPY18,562 million as of the end of the reporting quarter, a decrease of JPY1,035 million from the end of the previous year because the cash were used for operating and investing activities. The followings are status of cash flow and major factors of each activities

Cash flows from operating activities
The decreased amount of cash used for operating activities was JPY 131 million (JPY 486 million increase for the same quarter of the previous year). This is mainly by following factors. Cash were generated by the decrease of receivables by JPY 682 million and recorded JPY 438 million of quarterly profit before tax and other adjustments and JPY 128 million of depreciation; however, cash were decreased by JPY 501 million of income tax paid, JPY 484 million of decrease in provision for bonuses and JPY 460 million decrease in payables.

Cash flows from investing activities
The cash decreased as a result of investing activities was JPY 373 million (JPY 878 million increase for the same quarter of a year earlier). This is mainly because of JPY 177 million payment for a business transfer and of JPY172 million for the purchase of intangible asset.

Cash flows from financial activities
The decrease in cash as a result of financial activities was JPY 527 million (JPY 565 million decrease in 2018 Q1).
This is mainly because of JPY 206 million of proceeds from non-controlling shareholders; the proceeds were offset by JPY 431 million of cash dividend payment and by JPY 250 million of repayment of term loan.

(4) Earnings Forecast for Year ending December 31, 2019

Consolidated revenue and profit items for this reporting period (2019 Q1) were lower than the same period last year, however; we do not change, at this moment, our initial forecasts for our two reporting segment and Corporate Function cost announced on February 6, 2019 due to following reasons. For Marketing Business, we anticipate sales from existing clients to gradually recover in the second quarter. In addition, we succeeded to receive several large-scale new business win, which will start revenue contribution from Q3, thanks to intensive efforts on new client acquisition activities by participating competitions held by brand advertisers and retail distribution industry clients. For Synergy Investment Business and Corporate Function cost, there is no factor to change our outlooks as of today.

Footnotes for the definitions for KPIs

Assets Under Management (AUM)

AUM is defined as aggregate amount of 1) book value of subsidiaries' and affiliates' stocks and 2) fair market value of operational investment securities and invested securities. For assets categorized 2), impairment will be reflected to the value to be aggregated.

(1) Shares of subsidiaries and affiliates; book value is applied

(2) Operational investment securities and investment notes and securities: each notes and security's FMV is calculated depending on the classification shown below;

i. Notes or securities of which investment amount is small: acquisition price
ii. Listed companies' shares: closing price at the end of reporting period
iii. Securities with financing in recent period: based on value of relevant financing
iv. Other securities estimated by comparable multiple, DCF, or net asset valuation depending on each company's performance

The AUM calculation is prepared with guidance and advice by KPMG Azsa.

Internal Rate of Return (IRR)

Prerequisites for calculation (Un-sold securities are calculated as if they are sold)

- Subject to : Those the Company has invested in from 2003 to the end of March 2019 (includes business investments)
- The reference date for calculation: March 31, 2019

Method:

1. Impaired investment: Calculated as if they were sold at the net asset value after impairment.
2. Investment with recent financing: Calculated as if they were sold at the finance valuation.
3. IPOed investment: Calculated as if they were sold at the market value as of the reference date.
4. Fund: Calculated with the amount collected until the end of the reporting period and the book value as of the end of reporting period.
5. Others: Any other investment with no change in their acquisition cost due to sale, impairment, financing, IPO or the like are calculated as if they were sold on the reference date at the acquisition cost.

- Income tax are included

Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly consolidated balance sheets

(Unit: yen in millions)

	As of December 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	19,631	18,595
Notes and accounts receivable-trade	13,652	12,900
Operational investment securities	15,337	25,565
Inventories	252	32
Other	1,266	1,385
Allowance for doubtful accounts	(49)	(48)
Total current assets	50,091	58,431
Noncurrent assets		
Tangible noncurrent assets	299	285
Intangible noncurrent assets		
Other	1,498	1,538
Total intangible noncurrent assets	1,498	1,538
Investments and other assets		
Shares of subsidiary companies	0	0
Shares of affiliate companies	1,027	1,040
Investment securities	2,208	2,264
Lease and guarantee deposits	731	773
Other	893	595
Allowance for doubtful accounts	(80)	(64)
Total investment and other assets	4,781	4,610
Total noncurrent assets	6,579	6,434
Total assets	56,670	64,866

(Unit: yen in millions)

	As of December 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable-trade	12,163	11,696
Short-term loans payable	1,300	1,450
Income taxes payable	557	82
Provision for bonuses	727	249
Other	3,829	3,613
Total current liabilities	18,578	17,092
Noncurrent liabilities		
Long-term loans payable	8,700	8,300
Liabilities on retirement benefits	200	202
Deferred tax liabilities	1,950	5,014
Asset retirement obligations	104	107
Other	1	1
Total noncurrent liabilities	10,957	13,626
Total Liabilities	29,536	30,718
Net assets		
Shareholders' equity		
Capital stock	8,212	8,212
Capital surplus	3,915	3,875
Retained earnings	5,442	5,250
Treasury stock	(698)	(698)
Total shareholders' equity	16,872	16,640
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,214	13,354
Foreign currency translation adjustment	390	374
Total accumulated other comprehensive income	6,604	13,728
Subscription rights to shares	0	0
Non-controlling interests	3,656	3,778
Total net assets	27,133	34,147
Total liabilities and net assets	56,670	64,866

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income

(Unit: yen in millions)

	2018 Q1 (From January 1 to March 31, 2018)	2019 Q1 (From January 1 to March 31, 2019)
Revenue	22,773	21,555
Cost of sales	18,132	17,376
Gross profit	4,640	4,178
Selling, general and administrative expenses	3,632	3,771
Operating income	1,007	406
Non-operating income		
Investment gain on equity method	—	16
Gain on investments in partnership	—	9
Gain on valuation of derivatives	56	—
Other	17	30
Total non-operating income	74	56
Non-operating expenses		
Interest expenses	8	6
Foreign exchange losses	77	—
Loss on investments in partnership	52	—
Investment loss on equity method	51	—
Other	17	6
Total non-operating expenses	208	13
Ordinary income	873	449
Extraordinary income		
Gain on sales of investment securities	12	—
Total extraordinary income	12	—
Extraordinary losses		
Loss of retirement of non-current asset	0	10
Other	0	0
Total extraordinary losses	0	11
Quarterly net income before taxes and other adjustments	886	438
Total income taxes	244	207
Quarterly net income	641	231
Quarterly net income attributable to non-controlling interests	125	(11)
Quarterly net income attributable to owners of parent	515	242

Quarterly consolidated statement of income for three month ended on March 31, 2019

Quarterly statement of comprehensive income for three month ended on March 31, 2019

(Unit: Yen in millions)

	2018 Q1 (From January 1 to March 31, 2018)	2019 Q1 (From January 1 to March 31, 2019)
Net income	641	231
Other comprehensive income		
Valuation difference on available-for-sale securities	(10)	7,140
Foreign currency translation adjustment	(190)	(9)
Share of other comprehensive income of associates accounted for using equity method	(15)	(3)
Total other comprehensive income	(216)	7,126
Comprehensive income	425	7,358
Comprehensive income attributable to:		
Owners of parent	308	7,369
Non-controlling interests	116	(11)

3) Quarterly consolidated statements of cash flows

(Unit: Yen in millions)

	2018 Q1 (From January 1 to March 31, 2018)	2019 Q1 (From January 1 to March 31, 2019)
Cash flows from operating activities		
Quarterly net income before taxes and other adjustments	886	438
Depreciation	200	128
Amortization of goodwill	83	—
Increase (decrease) in allowance for doubtful accounts	15	(16)
Increase (decrease) in provision for bonuses	(313)	(484)
Increase (decrease) in liabilities on retirement benefits	26	5
Interest and dividends income	(1)	(1)
Interest expenses	8	6
Investment loss (gain) on equity method	51	(16)
Loss (gain) on investments in partnership	52	(9)
Loss (gain) on sales of investment securities	(12)	—
Loss (gain) on valuation of derivatives	(56)	—
Loss of retirement of non-current asset	0	10
Decrease (increase) in notes and accounts receivable-trade	(1,406)	682
Decrease (increase) in operational investment securities	(156)	31
Decrease (increase) in inventories	(80)	219
Decrease (increase) in notes and accounts payable-trade	1,409	(460)
Increase (decrease) in accrued consumption taxes	(74)	(255)
Other	259	97
Subtotal	892	373
Interest and dividends income received	1	1
Interest expenses paid	(8)	(5)
Income taxes paid	(398)	(501)
Income taxes refund	0	—
Cash flows from operating activities	486	(131)
Cash flows from investing activities		
Purchase of property, plant and equipment	(5)	(8)
Purchase of intangible assets	(245)	(172)
Purchase of investment securities	(153)	(67)
Proceeds from sales of investment securities	58	51
Proceeds from refund of investment securities	—	34
Payment of transfer of business	—	(177)
Proceeds from settlement of derivatives	524	—
Payments of lease and guarantee deposits	(6)	(51)
Proceeds from collection of lease and guarantee deposits	761	7
Payment of loans receivable	(15)	—
Proceeds from collection of loans receivable	7	9
Other	(48)	1
Cash flows from investing activities	878	(373)

(Unit: Yen in millions)

	2018 Q1 (From January 1 to March 31, 2018)	2019 Q1 (From January 1 to March 31, 2019)
Cash flows from financial activities		
Net increase (decrease) in short-term loans payable	(16)	－
Repayment of long-term loans payable	(305)	(250)
Proceeds from payments from non-controlling shareholders	50	206
Repayments of finance lease obligations	(15)	(0)
Repurchase of treasury shares	(0)	－
Purchase of subsidiary's treasury shares	－	(12)
Cash dividends paid	(255)	(431)
Cash dividends paid to non-controlling interests	(23)	(40)
Other	(1)	－
Cash flows from financial activities	(565)	(527)
Effect of exchange rate change on cash and cash equivalents	(118)	(3)
Net increase (decrease) in cash and cash equivalents	680	(1,035)
Cash and cash equivalents at beginning of period	15,417	19,598
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	61	－
Cash and cash equivalents at end of period	16,159	18,562

(4) Notes on Quarterly Consolidated Financial Statements

(Note on the premise of a going concern)
Not applicable.

(Notes on significant changes in the amount of shareholders' equity)
Not applicable.

(Additional Information)
Partial amendments to Accounting Standards for Tax Effect Accounting (ASBJ statement No.28, February 16, 2018) were applied from the beginning of this reporting quarter; three month ended on March 31, 2019, and deferred tax assets are categorized in other of investment and other assets, deferred tax liabilities are categorized in noncurrent liabilities.

(Information on Reporting Segments)

I. For the three month ended on March 31, 2018 (2018 Q1)

1. Revenue and profit or loss by reporting segments for the three month ended on March 31,, 2018

(Unit: Yen in millions)

	Reporting Segment			Adjustment *	Consolidated
	Marketing Business	Synergy Investment Business	Total		
Revenue					
Revenue from third parties	21,249	1,523	22,773	—	22,773
Intersegment revenue or transfer	5	22	28	(28)	—
Total	21,255	1,546	22,801	(28)	22,773
Profit (loss) of segment **	1,415	(40)	1,374	(481)	893
EBITDA***	1,676	39	1,716	(457)	1,258
Interest paid – Interest received					7
Net income before taxes and other adjustments					886
Total income taxes					244
Income taxes – current					263
Income taxes - deferred, etc.					(18)
Net income attributable to non-controlling interests					125
Net income attributable to owners of parent					515

Notes:

1. The adjustment amount of JPY (481 million) for segment profit includes elimination of intersegment transaction and JPY (409 million) of Corporate Function cost which were not allocated to reporting segments and JPY 56 million of gain on valuation of derivatives for the Company's stock forward trading.
2. Segment profit and loss is denoted in EBIT (Net income before taxes and other adjustment ＋ interest paid －interest received)
3. EBITDA = EBIT + other financial related gains (losses)+ depreciation + amortization of intangible assets + amortization of long-term prepaid expenses + Non-cash gain(loss)

2. Impairment loss of non-current asset or goodwill, etc., by reporting segments

(Significant impairment loss of non-current asset)
Not applicable

(Significant change in amount of goodwill)
Not applicable

(Significant gain on negative goodwill)
Not applicable

II. For the three month ended on March 31, 2019 (2019 Q1)

1. Revenue and profit or loss by reporting segments for the three month ended on March 31, 2019

(Unit: Yen in millions)

	Reporting Segment			Adjustment*	Consolidated
	Marketing Business	Synergy Investment Business	Total		
Revenue					
Revenue from third parties	20,298	1,256	21,555	―	21,555
Intersegment revenue or transfer	―	3	3	(3)	―
Total	20,298	1,260	21,558	(3)	21,555
Profit of segment**	859	115	974	(531)	443
EBITDA***	970	157	1,127	(441)	685
Interest paid – Interest received					4
Net income before taxes and other adjustments					438
Total income taxes, etc.					207
Income taxes – current					56
Income taxes – deferred					151
Net income attributable to non-controlling interests					(11)
Net income attributable to owners of parent					242

Notes:

1. The adjustment amount of JPY (531 million) for segment profit includes elimination of intersegment transaction and JPY (538 million) of Corporate Function cost which were not allocated to reporting segments.
2. Segment profit and loss is denoted in EBIT (Net income before taxes and other adjustment ＋ interest paid －interest received)
3. EBITDA = EBIT + other financial related gains (losses)+ depreciation + amortization of intangible assets + amortization of long-term prepaid expenses + Non-cash gain(loss)

2. Impairment loss of non-current asset or goodwill, etc., by reporting segments

(Significant impairment loss of non-current asset)
Not applicable

(Significant change in amount of goodwill)
Not applicable

(Significant gain on negative goodwill)
Not applicable

(Important subsequent event)

(Incorporation-type of company split)

The Company resolved to split the business run by Overseas Business (China) Development Office of the Company (hereinafter, "the Business") and to establish OPT China, Inc., which is newly established company (herein after "the New Company"), to succeed the Business and to become the New Company a wholly owned subsidiary of the Company at the Board of Directors Meeting held on February 21, 2019.

1. Purpose of the company split

OPT Group set the mid-term management policy to maximize its corporate value and its cash flow based on the corporate philosophy of "Support, Innovate and Create Digital Industrial Revolution" as a leader of any and all digital shift in rapidly expanding digital economy.

Under such aspiration, the Company has transferred holding company system since April 1, 2015 aiming to establish optimized business operation structure for further improvement of corporate value.

Regarding the Business in our group has been working for establishing business foundation for improved profitability and strengthening the competitiveness; however, as a result of reconsideration of its strategy, the Company has decided to change its model from conventional cross-border e-Commerce where sales contact is limited to special EC site to general trading model. In addition, OPT China, with exclusive selling rights in China, is aiming to expand its business by changing its main vendors to Japanese SMEs and by creating a structure to develop best-selling products with the manufacturers.

2. Summary of the company split

(1) Schedule for this company split

Resolved at Board of Directors Meeting: February 21, 2019

Effective date: April 1, 2019

Note: Since this company split is applicable to incorporation-type of company split stipulated in the Company Act Article 805, has been implemented without a resolution of shareholders' meeting.

(2) Method of company split

Incorporation-type of company split; Company is the subject to be split and OPT China, Inc., which is the newly established, is the succeeding the Business.

(3) Allocation of shares regarding the incorporate-type of company split and its basis of its valuation

The New Company issued 1,100 of common share for this incorporation, and the all shares are allocated to the Company. The New Company's share price was determined by considering its amount of capital, etc., without reviewing the third party valuation because this split is independently implemented by the Company, thus, all the share issued by the New Company is allocated to the Company.

3. Description and its size of the Business

(1) Description of the Business	Marketing support for Chinese consumers business and BtoB support business, etc.,
(2) Financial result by the division	Revenue：JPY 1,347 million (FY2018)

4. Outline of the New Company

Name	OPT China, Inc.,
Location	6 Yonbancho Chiyoda, Tokyo
Name of the representative	Representative Director and President Nobuhito Nakanishi
Business description	Marketing support business for Chinese consumer and B2B supporting business, etc.,
Capitalization	JPY 110 million
Date of foundation	April 1, 2019
# of shares issued	1,100 shares
Fiscal year end	December 31

Assets and liabilities items and its amount to be split

Total assets：JPY 279 million

Total liabilities：JPY 162 million